

**REGULATION
ON SAVINGS AND
BANKING ACTIVITIES**

UPDATE NO. II

year 2011 / number 02

Article 1 – Amendments to Regulation no. 2007-07 on savings and banking activities.

1. Article I.I.2, is replaced as follows:

"Article I.I.2 - Definitions

1. For the purpose of this Regulation, the expressions used herein have the following meaning:

1. **"currency license"**: license released by the Central Bank pursuant to article 2, third paragraph, of the Currency Law;
2. **"chief executive officer"**: member of the Board of Directors, however described, vested with delegated powers pursuant to article 49, fourth paragraph of the Companies Law;
3. **"advertisement"**: a message, regardless of the way it is disseminated, having the purpose of promoting the sale of products and the provision of services;
4. **"internal auditing activities"**: activities for the third level monitoring carried out on continuous, periodical or exceptional basis by organisational units different and independent from the production units, also through on-site checks, aimed at detecting any anomalous performances, violations of the procedures and of the regulations as well as at assessing the completeness, functionality and adequacy of the internal auditing system and at bringing any possible enhancement to risk management policies, measurement instruments and procedures, to the attention of the board of directors and of the head of the executive structure;
5. **"company"**: aggregate of assets organised for the purpose of carrying out the business;
6. **"bank authorised to carry out currency activities"**: a bank that may conduct businesses with foreign entities as regards to cross border payments;
7. **"Central Bank"**: means the Central Bank of the Republic of San Marino;
8. **"pre-existing banks"**: parties authorised to conduct banking activities pursuant to article 156, paragraph 1 of the LISF
9. **"head of the executive structure"**: Director General or, in his/her absence, a director with a proxy to perform the functions of the Director General;
10. **"parent company"**: bank or holding company that satisfies the requirements provided for in article 54 of the LISF and included within the structure of a group, so that its own balance sheet assets and those of the companies and entities under its control would satisfy the condition required for the existence of a banking group;
11. **"foreign parent company"**: foreign bank or other financial undertaking that, according to the regulations currently in force in its own country of incorporation, is in control of a group comprised also of banks of San Marino;
12. **"client"**: any natural person or legal person who has a contractual relationship or who intends to establish any relationship with the bank with reference to banking products and/or services;
13. **"components"**: companies or entities, other than the parent company, that are part of the group;
14. **"derivative contracts"**: financial contracts the value of which depends on the value of one or more underlying assets or indices;

15. **"long term agreements"**: those agreements the direct legal effects of which continue in time, with or without set maturities (such as, but not limited to, bank current account, savings deposit, opening of a credit facility, mortgage loan, subscription of certificates of deposits and bonds issued by the bank, repurchase agreements with grant back obligation);
16. **"risk controls"**: second level controls aimed at assisting in the definition of the risk measurement methods, verifying the compliance with the limits assigned to the different operating structures, controlling the consistency of the operations of the individual productive areas with the risk-reward targets assigned;
17. **"compliance controls"**: second level controls aimed at verifying the compliance of the activities carried out with every applicable provision of law, statutes, supervision and self-regulation, also with reference to the fight against financial crimes as regards to money laundering, usury, terrorism financing and other financial crimes;
18. **"line controls or first level controls"**: checks performed both by those who implement a given activity and by those who are responsible for the supervision thereof, generally within the context of the same organisational structure; they are performed by the same productive organisational structures or incorporated in the automated procedures, or carried out within the context of the back-office activities;
19. **"second level controls"**: controls assigned to organisational structures other than the operational structures;
20. **"accounting control"**: function described in article 68 of the Companies Law and regulated by article 34 of the LISF;
21. **"eligible counterparties"**: means any person belonging to one of the following categories:
 - 1 authorised parties;
 - 2 foreign persons who carry out, under the regulations in force in their own country of origin, the activities performed by the persons referred to in point 1 above;
 - 3 issuers of financial instruments listed on regulated markets;
 - 4 companies satisfying at least two of the following requirements:
 - I) total balance sheet assets in excess of Euro five million;
 - II) yearly sales in excess of Euro ten million;
 - III) net equity in excess of Euro half a million;
 - 5 States, central banks, international and supranational institutions.
22. **"doubtful loans"**: the aggregate of non performing loans, loans on watch list, expired and/or past due loans, unsecured loans to countries at risk, as defined below;
23. **"loans on watch list"**: means the entire exposure of cash loans and off-balance sheet loans towards persons who are temporarily experiencing objective difficulties that may reasonably be overcome within an appropriate period of time. The existence of any guarantees (collateral or personal) to protect the exposure is disregarded. The entire exposure includes interest recognised and any other items still pending, the final allocation of which is certain, even if they are temporarily registered in transitional accounts. Additionally, the following are also included except where the conditions exist for their classification under non performing loans:

- exposures towards issuers that have not timely satisfied their payment obligations (capital or interest) as regards to debt financial instruments;
 - the value of the residual debt (recognised under fixed assets) for the financial leasing agreements entered into as lessor increased by the rents expired but not paid and by any default interest related to the account;
 - loans to natural persons, even if fully secured by a mortgage, if the enforcement measures for the recovery thereof have been initiated;
 - exposures, not classified as non-performing, that include loans for which the following expired but have not been paid (or paid in full):
 - a) 3 semi-annual instalments or 5 quarterly instalments or 7 monthly instalments, for loans with an original life of more than 36 months;
 - b) 2 semi-annual instalments or 3 quarterly instalments or 5 monthly instalments, for loans with an original life of 36 months or less;
 - c) 1 annual instalment expired from no less than 6 months.
24. **"non-performing loans"**: the entire exposure of cash loans and off-balance sheet loans towards insolvent persons, even if the insolvency has not been ascertained in court, or who are in substantially comparable situations, regardless of the expected losses envisaged by the bank and any restructuring of such loans. The existence of any guarantees (collateral or personal) to protect the exposure is disregarded. Any exposures towards public authorities in financial distress. The entire exposure includes interest recognised and any costs incurred for the collection activities;
25. **"unsecured loans towards countries at risk"**: the entire unsecured exposure of cash loans and off-balance sheet loans towards any persons resident in countries of Zone B;
26. **"expired and/or past due loans"**: the entire exposure towards clients who are beneficiaries of cash loans or off-balance sheet loans, other than non-performing loans of loans on watch list, that expired or have been overdue for a period of more than 90 consecutive days, if such loans represent over 20% of the overall exposure, meaning the sum of the amounts of cash and unsecured credits, of the debt securities subscribed by the bank, and of the credit positions on derivative instruments.

The following formula applies to the loans expired:

$(\text{loans expired from over 90 days} - \text{default interest}) / \text{aggregate exposure}$

Specifically, for the purpose of recognising as "expired" the exposures with a repayment by instalment, the unpaid instalment with the longer delay in payment must be taken into account.

The following formula applies to the loans overdue:

$\text{Sum} [(\text{used} - \text{default interest}) - (\text{granted in place}) \text{ if } > 0] / \text{overall exposure.}$

In any case, no off-setting is admitted between expired positions and overdue amounts, with the margins available (if any) on other credit facilities granted to the same borrower.

In the event of loans becoming overdue after the granting of credit in excess of the agreed limits, the overdue period is calculated from the date in which the credit in excess of the agreed limits has been formally granted.

If the aforementioned accounts exceed 20 percent of the aggregate exposure, the entire exposure is classified as expired and/or overdue credit;

27. **"sanctions decree"**: Decree no. 76 of 30 May 2006, as subsequently amended and supplemented;
28. **"bank deposit"**: a contract through which the clients transfer the title on an amount of money to the bank with the obligation to return an amount of the same nature, either at maturity or upon demand from the client (the so called "sight deposits");
29. **"identification document"**: a document containing the photograph and all personal details of a natural person, released by a national or foreign public authority;
30. **"financial year"**: calendar year;
31. **"corporate officials"**: means those natural persons who hold the offices of director, statutory auditor or director general;
32. **indirect exposure"**: exposures taken through subsidiary financial undertakings;
33. **"medium to long term loans"**: loans with a residual life of no less than 18 months;
34. **"short term loans"**: loans with a residual life of less than 18 months;
35. **"personal details"**:
 - a) name and surname, place and date of birth, residential address and nationality of the natural person;
 - b) company name with legal form, address of the registered and administrative offices, identification code assigned according to the laws and regulations of the country of residence, for any persons other than natural persons;
36. **"major risks"**: risk exposures of a bank towards a counterparty or group of connected counterparties when the overall exposure (cash loans and unsecured loans; direct and indirect) exceeds 10% of the regulatory capital;
37. **"bank group"**: group or conglomerate, pursuant to articles 53 and 60 of the LISF, the balance sheet assets of which are represented, to an extent of no less than 50% of the total, by the balance sheet assets of banks;
38. **"group of connected clients or connected counterparties"**: two or more persons who comprise a single group under the risk profile, since:
 - 1 one of them has the power of control over the other or others ("legal" connection);
 - 2 links exist as between the persons in question, so that it is likely that if one of them experiences any financial difficulties, the other, or all others, might experience repayment difficulties ("economic" link). For example, in case of such an interconnection the bank may take the following elements into accounts:
 - I) properties in common;
 - II) same directors or senior officers;
 - III) guarantees;
 - IV) direct production and/or commercial interconnection that may not be replaced in the short term;
 - V) parent companies in common;

39. **"IAS"**: international accounting principles adopted from time to time by the organisation known as International Accounting Standards Board (IASB), with registered office in London;
40. **"financial undertakings"**: any persons from San Marino or foreign that carry out, as a business, the activities included in the list referred to in Annex 1 of the LISF, or similar activities, and that are subject to supervision;
41. **"non financial undertaking"**: an undertaking from San Marino or a foreign undertaking that does not fall within the definition of financial undertaking;
42. **"instrumental enterprise"**: a company that carries out one or more non financial activities, instrumental to those exercised by the principal bank and only in favour of the same;
43. **"independent intermediary"**: authorised party, or financial promoter, or insurance or reinsurance intermediary pursuant to the LISF, active in the Republic of San Marino on behalf of foreign banks authorised to the provision of services without establishment, provided its activities are carried out independently; the intermediary is, on the contrary, qualified as branch if all of the following conditions are met, without exception:
 - 1 it works exclusively for one single bank acting as principal;
 - 2 it has the power to negotiate with third parties;
 - 3 it may bind the bank acting as principal;
 - 4 it acts on an ongoing basis;
44. **"invitation to close"**: proposal from the bank that may be accepted directly since it contains all the conditions of the agreement, as an expression of a uniform will, which evidences a decision and not just availability or desire;
45. **"ius variandi"**: right of the bank to unilaterally modify the clauses of the agreement;
46. **"Companies Law"**: Law no. 47 of 23 February 2006 as subsequently amended and supplemented;
47. **"Currency Law"**: Law no. 41 of 25 April 1996 as subsequently amended and supplemented;
48. **"LISF"**: Law no. 165 of 17 November 2005 as subsequently amended and supplemented;
49. **"financial leasing entered into as lessor"**: leasing agreements in which the bank acts as lessor;
50. **"financial leasing entered into as lessee"**: leasing agreements in which the bank acts as lessee;
51. **"gross mediation margin"**: algebraic sum of the profit and loss account items according to the formats of financial statements for banks, referred to in the supervisory regulations currently in force:
$$\text{GMM} = \text{Interest received and other similar proceeds (Item 10)} - \text{interest paid and other similar costs (item 20)} + \text{dividends and other proceeds (item 30)} + \text{commissions received (item 40)} - \text{commissions paid (item 50)} + \text{- profits/losses on financial transactions (item 60)};$$
52. **"cold-calling"**: offer made in locations other than the head office or branch offices of the bank;
53. **"repurchase agreements with grant back obligation"**: spot sale of financial instruments owned by the bank ("spot seller") in favour of the client ("spot buyer") with the simultaneous forward sale, not more than 12 months, at a pre-set price, of the same instruments for the same nominal amount, made between the client ("forward seller") and the bank ("forward buyer"). The obligation to return the funds collected,

- which represent the funding, is independent from any event occurred related to the value or negotiability of the financial instruments subject matter of the transaction;
54. **"outsourcer"**: natural or legal persons to whom the bank outsources any corporate functions or relevant activities implemented within the context of the production processes that are typical of a bank;
 55. **"related party"**:
 - 1 a shareholder of the bank and those who exercise the rights related thereto, as well as whoever is, also jointly, in control of the bank;
 - 2 the persons who are able to appoint, also based on specific agreements, one or more members of the administrative or control bodies of the bank or of the parent company;
 - 3 corporate officials of the bank or parent company;
 56. **"shareholders"**: persons that, directly or indirectly, that is to say as persons in control of legal persons, hold significant shareholdings in the corporate capital;
 57. **"majority shareholdings"**: shareholding that assigns the control pursuant to art. 2 of the LISF;
 58. **"substantial participations"**: shareholding with voting rights in excess of 2% of the share capital;
 59. **"staff responsible for organisational units"**: any employee in charge of relevant organisational units and vested with significant decision making and representation powers;
 60. **"provision of services without establishment"**: exercise of reserved activities in San Marino by foreign banks, or abroad by banks of San Marino, through a temporary organisation, or distance communication techniques, or intermediaries or independent agents;
 61. **"medium-long term direct funding"**: direct funding transactions with a residual life of over 18 months;
 62. **"collection of savings"**: collection of funds from the public with the obligation to return the funds, equivalent to direct funding net of interbank funding;
 63. **"direct funding"**: total amount of funds raised from the clients with the obligation to return such funds, equivalent to the sum of collection of savings and interbank funding;
 64. **"indirect funding"**: total amount of the securities and cash available of the clients (meaning public and banks) administered and/or managed for the account such clients, net of any amounts already included in the direct funding;
 65. **"interbank funding"**: raising of funds with banks with the obligation to return such funds, equivalent to the direct funding net of collection of savings, excluding, therefore, any debit balances on the nostro accounts opened for services rendered;
 66. **"business unit"**: branch offices and, in general, any uniform group of operating activities, to which contractual and employment relationships may be referred within the context of a specific organisational structure;
 67. **"economically relevant relationships"**: employment relationships or continuous or periodical relationships of a professional nature, or other "intuitu personae" relationships capable of affecting the independence of the person in its role as a corporate official of the bank;
 68. **"accounts in block"**: any receivables, payables and contracts characterised by a common distinctive element to be found in the technical form, in the economic sectors of reference, in the type of

- counterparty, in the geographical area and in any other common element that would allow the exact identification of a uniform group of accounts;
69. **"relevant offences"**: all crimes against the heritage and against the public economy, except for those subject to sanctions, and the special offences envisaged in the LISF and in the legislation currently in force governing the prevention and fight against laundering and terrorism financing, as well as the cross-border transport of cash and similar instruments;
 70. **"manager of the branch office"**: main two officers of the first branch office of a foreign bank in the territory of San Marino;
 71. **"auditors"**: individuals in charge of the accounting control on behalf of the Auditing Company;
 72. **"operational risks"**: risks of losses resulting from inappropriate internal procedures, human errors, deficiencies in the operating systems or externally generated events. They include, inter alia, legal risk and reputational risk;
 73. **"strategic-management risks"**: quantifiable risks the performance of which determines the strategies of the company; they include, inter alia, rate risks, market risks, liquidity risks and credit risks;
 74. **"periodic supervisory reports"**: periodic gathering of information prepared in compliance with the data of the corporate accounting system and/or information-management supports that, within the scope of the information supervision referred to in article 41, paragraph 1 of the LISF, are transmitted to the Supervision Department;
 75. **"banking services"**: services and products involved in the exercise of the reserved activities referred to in letters A), B), I), J), K) of Annex 1 of the LISF;
 76. **"investment services"**: the services implemented for the purpose of exercising the reserved activities referred to in letter D) of Annex 1 of the LISF;
 77. **"SICAV"**: variable capital investment company;
 78. **"internal auditing system"**: group of rules, procedures and organisational structures aimed at ensuring the compliance with the corporate strategies and at achieving efficient and effective corporate processes, the protection of value of the assets and the protection against losses, reliability and integrity of the accounting and management information, the compliance of the transactions with the law, statutes, supervisory regulations and self-regulation rules of the bank;
 79. **"auditing company"**: company of San Marino registered in the Register referred to in article 7 of Law no. 146 of 27 October 2004, or a foreign company qualified pursuant to article 33, paragraph 3 of the LISF;
 80. **"financial companies"**: companies authorised to carry out, as a business, the activities referred to in letter B) of Annex 1 to the LISF;
 81. **"financial companies with limited operations"**: financial companies to which the following restrictions apply:
 - a) the total weighed assets for supervisory purposes may not exceed Euro 50 million;
 - b) public bond issuance is subject to the same quantitative limits and authorisation procedures provided for non financial issuers;

- c) the only reserved activity that may be exercised is the lending activity, and consequently the reserved activities referred to in letters L and D6 of Annex 1 of the LISF are excluded;
 - d) the lending activity referred to in letter B of Annex 1 of the LISF may be exercised except for the branch of business comprised of the "release of guarantees and letters of comfort";
 - e) any operations abroad, in the form of opening of branch offices as well as under the regime for the provision of services without any establishment, are forbidden pursuant to article 74 paragraph 2 of the LISF;
82. **"company in default"**: companies subject to insolvency procedures or to extraordinary proceedings or to foreign procedures equivalent to those governed, respectively, by:
- 1 Law no. 17 of 15 November 1917 and article 115 of the Companies Law;
 - 2 Part II, Title II, Chapters I and II of the LISF;
83. **"persons connected to a related party"**:
- 1 the subsidiaries of a related party;
 - 2 the companies in which the related parties perform administrative, managing or controlling functions, except for those that are subsidiaries of the bank if the corporate officials are in common and act in the interest of, and are designated by, the bank;
84. **"parent companies"**: natural persons or, otherwise, persons of different legal status who ultimately, also jointly with other persons, exercise, also through companies directly or indirectly owned, fiduciary interposition or other interposition, the control over the legal persons, pursuant to the provisions of the LISF;
85. **"promoters"**: natural or legal persons intending to acquire for their own account the share capital of the bank being incorporated;
86. **"applicants"**: natural or legal persons filing the application to the Central Bank for the purpose of obtaining the authorisation to the acquisition, for their own account, of substantial participations in the capital of existing banks;
87. **"CBSM Statutes"**: Law no. 96 of 29 June 2005 as subsequently amended and supplemented;
88. **"branch office"**: establishment of a bank mainly intended for the direct relationship with the public;
89. **"distance communication techniques"**: the client-contact techniques other than advertisements that do not require the physical and simultaneous presence of the client and of the bank or one of its agents;
90. **"beneficial owners"**: natural persons who fall within the definition referred to in article 1, sub. 1, letter r) of Law no. 92 dated 17 June 2008, as subsequently amended and supplemented;
91. **"representative office"**: structure used by the bank only for the purpose of performing promotional activities and conducting market studies;
92. **"general unilateral changes"**: changes indiscriminately applied to all long term agreements of the same kind or related to one uniform category of transactions and services."

2. In this document, the use of the terms included in the definitions is evidenced by the SMALL CAPS characters.

3. For all terms not defined in paragraph 1, reference should be made to the definitions and details provided for in the articles of the LISF."

2. Article II.II.4, is replaced as follows:

"Article II.II.4 - Other activities that may be exercised

1. Banks may exercise the following related, contributory or ancillary activities:

- a) administration of real estate properties acquired and intended for the bank's functional purposes pursuant to article VII.VII.1 and for the purpose of recovering receivables pursuant to article VII.VII.2;
- b) preparation and management of IT services to be used by the bank itself or by subsidiaries or parent companies;
- c) study, research, analyses of an economic and financial nature;
- d) processing, transmission, communication of data and information of an economic and financial nature;
- e) consultancy to the enterprises on financial structures, industrial strategy and related issues, as well as consultancy and services regarding mergers and purchases of enterprises;
- f) consultancy on investments on financial instruments;
- g) renting of safety deposit box and "sealed packet deposits";
- h) professional exercise of the office of trustee, also in San Marino if authorised by the CENTRAL BANK pursuant to the Delegated Decree no. 49/2010 as subsequently amended and supplemented."

3. Article II.III.4, par. 2 is replaced as follows:

"2. The passbooks may be in "registered" or "to the order" form, when the right to dispose thereof is vested in the owner who results as such based on a continuous series of transfers made at the custodian bank of the sums, registered by the latter subject to the prior identification of the interested parties, in compliance of the anti laundering regulations currently in force."

4. Article II.III.6, par. 2 is replaced as follows:

"The certificate of deposit must possess the following features:

- a) duration of no less than one month and no more than sixty months;
- b) minimum denomination equal to Euro 1,000 or equivalent amount in a foreign currency, rounded up to the nearest unit;
- c) value expressed in multiples of the minimum denomination."

5. Point 4 of letter b) of article II.III.6 paragraph 3 is replaced by the following:

"4) name registration;"

6. Article II.III.7 paragraphs 4, 5 and 8 are replaced as follows:

"4. Bonds issued by banks must possess the following features:

- a) life of no less than twenty-four months;
- b) no redemption prior to the lapse of twenty-four months from the date of closing of the placement;

- c) minimum denomination of no less than Euro 1,000 (in thousand of Euro) or equivalent amount in a foreign currency (rounded up to the nearest unit);
- d) value expressed in multiples of the minimum denomination.

5. By way of derogation to article 32 of the COMPANIES LAW, and pursuant to article 5, paragraph 5 of the LISF, the bonds issued by banks must bear the following minimum content:

a) with reference to the issuing bank:

- 1) company name;
- 2) corporate purpose;
- 3) registered office;
- 4) share capital, subscribed and paid at issuance;
- 5) number of registration in the register of authorised parties;

b) with reference to the bond:

- 1) the aggregate amount;
- 2) type;
- 3) nominal value of each bond;
- 4) circulation;
- 5) interest rate, including the indication of the method to calculate the time element (360/365/ACT);
- 6) subscription procedures;
- 7) any redemption terms, including subordination;
- 8) any guarantees supporting the bonds.

8. Dematerialisation is allowed provided that:

- a) the issuer ensures, through its own information-accounting system, the necessary registrations concerning the bonds and the data related to the subscribers, as well as the data related to the creation or transfer of rights related to the bonds;
- b) the Issue Regulation provides for the circulation of the bonds to take place only through the issuer or a centralised custodian that would ensure the traceability of the transfers;
- c) the investor requests, at the time of the subscription, that the bonds be credited to the securities account under management and custody open at his/her own name with the issuer or with other persons in San Marino authorised to provide INVESTMENT SERVICES;
- d) the issuer undertakes to make available to the investor, except in case of explicit waiver by the latter at the moment of the subscription, the bond in hard copy form in compliance with the minimum content requirements specified above, upon his/her request and within a period of time of no more than thirty days;
- e) the right of the client referred to in letter d) above is expressly specified in the Issue Regulation and, if required, in the Prospectus, except in case of incompatibility with the circulation regime of the securities and/or with the rules governing the operation of the centralised deposit."

7. Article II.III.8, par. 4 is replaced as follows:

"4. Any cheques issued in favour of a beneficiary, upon request and upon making the funds available by the requesting CLIENT, are not covered by the discipline referred to in this article since they are securities issued to be used as banker's drafts."

8. In article II.IV.2 paragraph 2 is added as follows:

"2. The persons referred to in the previous paragraph may not issue any bonds if their net equity is lower than the minimum share capital required by the supervisory provisions currently in force."

9. Article III.II.2, is replaced as follows:

"Article III.II.2 - Form of the application

1. The application referred to in the previous article must be in writing and be signed by all PROMOTERS, regardless of the portion of share capital that they intend to acquire, by means of direct subscription or through a fiduciary company or other agents on their behalf."

10. Letters c), d) and e) of article III.II.3 paragraph 1 are replaced by the following:

"c) a certified copy of a valid IDENTIFICATION DOCUMENT:

- of all PROMOTERS, natural person;
- of the CORPORATE OFFICIALS of all PROMOTERS legal persons;
- of the initial CORPORATE OFFICIALS;

d) original of certifications necessary for the purpose of verifying the requirements referred to in articles 17 and 18 of the LISF as regards to all PROMOTERS;

e) original of certifications necessary for the purpose of verifying the honourability, professionalism and independence requirements of the initial CORPORATE OFFICIALS;"

11. In article III.II.3 paragraph 2 is added as follows:

"2. The certifications referred to in letters d) and e) must have been issued not more than six months from the date in which the application is filed."

12. Article III.II.4, is replaced as follows:

"Article III.II.4 - Declaration of the controlling persons

1. In the cases where the PROMOTER is not a natural person, the legal representative of the PROMOTER must transmit, also separately from the application referred to in article III.II.1, a written declaration, certified by a Notary in San Marino or signed directly before an agent of the CENTRAL BANK, in which the complete PERSONAL DETAILS of the CONTROLLING PERSONS, if any, are reported or, otherwise, the fact that no such persons exist.

2. The declaration referred to in the paragraph above must be accompanied, for each one of the natural persons specified therein, either as CONTROLLING PERSONS or as directors, if any, of the CONTROLLING PERSONS that are not natural persons:

- a) a copy of a valid IDENTIFICATION DOCUMENT;
- b) the certifications set forth in art. III.II.3, paragraph 1, letter d)."

13. Article III.II.5, is replaced as follows:

"Article III.II.5 – Beneficial owners

1. Taking due account of the provisions set forth for other purposes in article 17, paragraph 5, of the COMPANIES LAW, in the cases referred in the previous article in which, pursuant to the anti money-laundering provisions currently in force, there are any BENEFICIAL OWNERS in addition to the CONTROLLING PERSONS, as defined in this Regulation, the PROMOTER must also report them in the declaration mentioned above enclosing, for each one of them, a copy of a valid IDENTIFICATION DOCUMENT and the original of the certifications required for the purpose of verifying the requirements referred to in article 18 of the LISF."

14. Article III.II.6 paragraph 2 is replaced as follows:

"2. The application is directed to the Supervision Department of the CENTRAL BANK."

15. Article III.II.8 paragraph 1 is replaced as follows:

"1. The term specified in the previous article may be suspended by the CENTRAL BANK in the following cases:

- a) some of the PROMOTERS, or of their CONTROLLING PERSONS, are resident of, or have their registered or administrative office in, foreign countries;
- b) the documents and certifications referred to in letter c), d) and e) of article III.II.3 or the declaration referred to in article III.II.4 or relevant annexes, are not prepared in Italian nor in English."

16. Letter a) of article III.III.1 paragraph 1 is replaced by the following:

"a) the PERSONAL DETAILS of the shareholders;"

17. Letters a), h) and m) of article III.III.1 paragraph 2 are replaced by the following:

"a) the name of the company must contain a clear reference to the banking activity and must not create any risk of being confused:

- with other companies already existing in the banking system;
- with activities that are not included in the corporate purpose;
- with the geographical restrictions applicable to the exercise of the business;

h) the procedures for the appointment and revocation of the members of any restricted administrative bodies (Executive Committees) and of the directors with a proxy, the activities that may be delegated, the determination of their powers and levels of representation, must be subject to a specific statutory provision;

m) in the event of loss of the honourability or independence requirements by the CORPORATE OFFICIALS, it is necessary to provide for the obligation to immediately notify the Board of Directors and the Board of Statutory Auditors;"

18. Article III.III.6, is replaced as follows:

"Article III.III.6 – Requirements for the promoters

1. Pursuant to article 13, letters f) and g) of the LISF, the PROMOTERS and their CONTROLLING PERSONS must possess the requirements provided for in Part V, Title II of this Regulation.

2. In case of PROMOTERS that are not natural persons, the existence of the honourability requirements (Chapter I), is verified not only for their CONTROLLING PERSONS pursuant to the previous paragraph, but also for their directors or similar profiles, as well as for the BENEFICIAL OWNERS referred to in article III.II.5 above.

3. In the exceptional case of CONTROLLING PERSONS that are not natural persons, the existence of the honourability requirements (Chapter I) is verified for the relevant directors or substantially similar profiles."

19. In the points specified below, the expression "EXECUTIVES" is replaced by "STAFF RESPONSIBLE FOR ORGANISATIONAL UNITS":

- article III.III.8, paragraph 1, letter h);
- article III.VI.3, paragraph 1, letter k);
- article VII.IX.1, paragraph 1, letter b);
- article VII.IX.5, paragraph 1.

20. Article III.V.4, par. 1 is replaced as follows:

"1. The application must provide any and all information useful for the purposes of its acceptance and must be accompanied by the documents specified below:

- a) a certified copy of the memorandum of association, together with the articles of association;
- b) original certificate of good standing;
- c) copy of the license to exercise the business with annexed the declaration for the purposes of article III.V.9, letter e);
- d) certification signed in original by the members of the Board of Statutory Auditors concerning the fact that the entire share capital has been paid in, with attached a copy of the receipts issues by the custodian bank;
- e) copy of the documents issued by the Labour Office with reference to the hiring of the staff required in the initial stage of the business;
- f) copy of any repeat but temporary employment contracts (collaborazione in via coordinata e continuativa) pursuant to the Law no. 131 of 29 September 2005 as subsequently amended and supplemented;
- g) curricula vitae of the human resources referred to in letters e) and f), signed by the persons in question;

- h) copy of the agreement on employment commitments, entered into with the Secretary of State for Labour;
- i) copy of any outsourcing agreements, including the minimum levels of services and of the control procedures on the activities of the OUTSOURCER;
- j) copy of the agreement with the AUDITING COMPANY appointed to perform ACCOUNTING CONTROL and financial statements certification activities;
- k) copy of the agreement transmitted for the purpose of obtaining the license to exercise the business, certifying the lawful availability of the office;
- l) copy of the purchase contract or user license of the information and IT support system."

21. Article III.V.6, par. 2 is replaced as follows:

"2. The application should be directed to the Supervision Department of the CENTRAL BANK."

22. Article III.V.7, par. 2 is replaced as follows:

"2. As a consequence of the release of the authorisation, also for the purposes of the application of the rules referred to in Part VII, the CENTRAL BANK transmits to the bank the required information regarding its actual ownership structure, taken from the application referred to in article III.II.1 and from the supplementary statements (if any) received pursuant to article III.II.4."

23. Article III.V.9, is replaced as follows:

"Article III.V.9 – Minimum requirements

1. The minimum requirements for obtaining the license are:

- a) to have available, on a permanent basis, a number of human resources with an appropriate professional profile, sufficient to ensure sound and prudent management during the initial stage of the banking activities, in compliance with the minimum employment commitments undertaken with the convention ex article III.V.4 letter h);
- b) to have permanent and exclusive availability, that is to say not shared with any persons other than subsidiary FINANCIAL UNDERTAKINGS, even if bailees or sub-lessee, of a suitable office for exercising the banking business, particularly as regards to accesses, plants and fire and theft protection systems;
- c) to have appropriate structures and resources available for the custody of goods, confidential documents and, where this service is offered, safety deposit boxes;
- d) to have adequate technological resources available to process and store data, particularly as regards to disaster recovery plans;
- e) to have obtained the license to exercise the business without having resorted to the simplified procedure referred to in article 59 of Law no. 165 of 18 December 2003 or, otherwise, to have already satisfied the relevant presentation obligations.

2. For the purpose of verifying the requirement referred to in letter e), the applying bank must attach to the copy of the license to exercise the business a specific declaration released, for such purpose, by the competent public authority."

24. Article III.VI.1 paragraph 1 is replaced as follows:

"1. The release of the authorisation is subject to the successful verification of the following conditions:

- a) existence in the country of origin of the foreign bank of adequate supervisory regulations, also on a consolidated basis, that cover also the activities performed abroad;
- b) existence of agreements for the exchange of information with the Supervisory Authorities of the country of origin of the applicant foreign bank;
- c) authorisation to, and actual performance of, in the country of origin, the activities that the BRANCH OFFICES intend to exercise in the Republic of San Marino;
- d) existence of reciprocity conditions in the country of origin;
- e) prior consent of the Supervisory Authority of the country of origin to the opening of the BRANCH OFFICE in San Marino and to the performance of the activities selected by the bank subject to its supervision;
- f) existence of an endowment fund for an amount of no less than the minimum share capital established for the banks of San Marino;
- g) presentation of a three-year plan concerning the activities of the BRANCH OFFICE;
- h) possession of the professionalism, honourability and independence requirements by the MANAGERS OF THE BRANCH OFFICE;
- i) possession of the authorisation to carry out banking activities, including through BRANCH OFFICES or in a regime of PROVISION OF SERVICES WITHOUT ESTABLISHMENT, granted in one or more of the countries considered as Peers in term of fight against financial crimes (laundering of illegal proceeds, usury, terrorism financing, etc.) based on the list prepared and updated with the resolution of the State Congress."

25. Article III.VI.2 paragraph 2 is replaced as follows:

"2. The documentation listed above under letters b), c), d), e) and f) must, except as otherwise specified, be produced in original or certified copy, and the certifications referred to in letter d) must also have been issued no more than six months before the date in which the application is filed."

26. Article III.VI.5 paragraphs 1 and 5 are replaced as follows:

"1. The foreign bank files the application for authorisation to open the BRANCH OFFICE with the Supervision Department of the CENTRAL BANK according to the procedures specified in article III.II.6 or by courier.

5. Not later than ten days from the receipt of a copy of the convention with the Secretary of State for Labour regarding employment commitments, except in case of inconsistency with the business plan presented for the purposes of the release of the authorisation, THE CENTRAL BANK SHALL transmit to the State Congress, through the Committee for Credit and Savings, a copy of the authorisation decree."

27. Article III.VI.6 paragraphs 3 and 4 are replaced as follows:

"3. The BRANCH OFFICES of foreign banks are required to transmit to the CENTRAL BANK, within sixty days from the approval by the competent statutory bodies:

- the financial statements of the parent company for the period;
- the consolidated financial statements, if any, of their respective group;
- the amendments, if any, to the articles of association of the parent company;

prepared according to the procedures provided for in the legislation of the foreign country and, if not available in Italian or English, translated into Italian with a sworn translation.

4. The BRANCH OFFICES must also transmit to the CENTRAL BANK, not later than on 30 June of each year, the Statement of Accounts as at the end of the previous financial year, related to their activities and prepared, by 31 May, according to the provisions currently in force for the financial statements of the banks of San Marino."

28. Article III.VI.7 paragraphs 1 and 3 are replaced as follows:

"1. A PROVISION OF SERVICES WITHOUT ESTABLISHMENT occurs whenever the banking activities within the territory of San Marino are carried out, without any BRANCH OFFICES, through a temporary organisation, that is to say also through the actual presence in the territory of San Marino of personnel appointed by the provider, exclusively on an occasional basis, or through DISTANCE COMMUNICATION TECHNIQUES, within the specified limits, or through an INDEPENDENT INTERMEDIARY.

3. The discipline of the PROVISION OF SERVICES WITHOUT ESTABLISHMENT ALSO INCLUDES:

- any INVITATIONS TO CLOSE, however made in the territory of San Marino through dealers of San Marino or other approved persons not included, if considered by category, in the definition of INDEPENDENT INTERMEDIARY;
- the services rendered by the banks through ATM or POS where the staff of the bank is not present."

29. Article III.VI.8, is replaced as follows:

"Article III.VI.8 – Conditions for authorisation

1. The release of the authorisation is subject to the successful verification of the following conditions:

- a) existence in the country of origin of the foreign bank of adequate supervisory regulations, also on a consolidated basis, that cover also the activities performed abroad;
- b) existence of agreements for the exchange of information with the Supervisory Authorities of the country of origin of the applicant foreign bank;
- c) authorisation to, and actual performance of, in the State of origin, the services that would be exercised in the Republic of San Marino;
- d) existence of reciprocity conditions in the State of origin;

- e) prior consent of the Supervisory Authority of the country of origin to the application for the PROVISION OF SERVICES WITHOUT ESTABLISHMENT in San Marino by the bank subject to its supervision;
- f) compliance of the procedures for the provisions of the service with the rules applied to the banks in San Marino for the provision of the same or similar services;
- g) consistency of the authorisation applied for with the structure and economic needs of the domestic market;
- h) possession of the authorisation to carry out banking activities, including through BRANCH OFFICES or in a regime of PROVISION OF SERVICES WITHOUT ESTABLISHMENT, in one or more of the countries considered as Peers in term of fight against financial crimes (laundering of illegal proceeds, usury, terrorism financing, etc.) prepared and updated with the resolution of the State Congress."

30. Article III.VI.9, is replaced as follows:

Article III.VI.9 – Application for authorisation

1. The application must be accompanied by the certification issued by the Supervisory Authorities of the country of origin regarding the capital strength, adequacy of the organisational, administrative and accounting structures of the foreign bank and its BANKING GROUP, if any, and must also include any information that may be useful for the purposes of the acceptance of the application, specifically as regards to:

- a) the description of the services and products that would be offered;
- b) the operational procedures that would be adopted."

31. Article III.VI.10, is replaced as follows:

"Article III.VI.10 – Authorisation procedure

1. For the authorisation procedure, reference should be made to the discipline provided for in article III.VI.5 as regards to the application for opening a BRANCH OFFICE by the foreign bank, except for the validity of the authorisation decree, which is reduced to sixty days, and for paragraphs 5 and 6, since no authorisation is required from the State Congress for the purposes of the effectiveness of the authorisation decree."

32. Article III.VI.12, is replaced as follows:

"Article III.VI.12 - Prohibition to exercise reserved activities

1. The exercise, in the representative offices, of banking activities and any other reserved activity specified in Annex 1 to the LISF as well as any form of mediation in the offer of services and products subject matter of the aforementioned activities, is forbidden."

33. Article III.VI.14, is replaced as follows:

"Article III.VI.14 - Procedure

1. The foreign banks that intend to open a REPRESENTATIVE OFFICE in the Republic of San Marino are required to transmit a notice to the Supervision Department of the CENTRAL BANK, according to the procedures specified in article III.II.6 or by courier, no less than sixty days prior to the opening.

2. Such notice must specify:

- a) the address;
- b) the expected date of the opening;
- c) the PERSONAL DETAILS of the heads of the office;
- d) the activities that would be carried out.

3. The notice must be accompanied by:

- a) copy of the certification of the competent Authorities of the country of origin evidencing the fact that the reporting bank has satisfied any formalities required by the discipline of the country of origin;
- b) curricula vitae of the heads of THE REPRESENTATIVE OFFICE, signed by them.

4. The REPRESENTATIVE OFFICE may start its activities after the lapse of sixty days from the receipt of the notice by the CENTRAL BANK and shall promptly notify in writing the CENTRAL BANK of any change in the information referred to in paragraph 2.

5. The CENTRAL BANK carries out inspections on the REPRESENTATIVE OFFICE aimed, in particular, at verifying whether the office complies with the prohibition referred to in article III.VI.12."

34. Letter c) of article III.VII.3 paragraph 1 is replaced by the following:

"c) has ceased, for a period of more than six months, any activity for which it received authorisation;"

35. The following paragraph is added to article III.VII.3:

"2. For the purposes of letter c) of the preceding paragraph, reference should be made to the absence, for the period specified therein, of any existing contracts entered into within the scope of the exercise of the reserved activities".

36. Article IV.II.1, is replaced as follows:

"Article IV.II.1 - Requirements

1. The CORPORATE OFFICIALS of banks must possess, except as otherwise provided for in article IV.IV.4 and without prejudice to the possession of the adequacy requirements referred to in article 1, paragraph 1, point 9, letters a) and c) of the COMPANIES LAW, the following honourability requirements:

- a) except in the event of rehabilitation, never have been definitively convicted for SERIOUS OFFENCES entailing detention;
- b) except in the event of rehabilitation, never have been definitively convicted for offences considered to be offences against law and order, against public faith or of private persons against the public administration, for which a sentence of imprisonment for no less than one year has been issued and not suspended;

- c) except in the event of rehabilitation, never have been definitively convicted for offences of any other nature for which a sentence of imprisonment for no less than two years has been issued and not suspended;
- d) never have been appointed as CORPORATE OFFICIAL in FINANCIAL UNDERTAKINGS subject, in the past five years, to any of the extraordinary measures referred to in Part II, Title II, Chapters I and II of the LISF.

2. The honourability requirements referred to in the preceding paragraph must be possessed also with reference to the absence of any equivalent final convictions (letters a, b and c) or to the absence of any impediments (letter d) applied in any jurisdictions other than in San Marino.

3. The requirement referred to in paragraph 1 letter d) is deemed to be lacking when the office of CORPORATE OFFICIAL has been covered for at least 18 months in the period of 24 months before the adoption of the decree and the CORPORATE OFFICIAL has been subject to administrative sanctions, with reference to the same basis of the decree.

37. Article IV.II.2, is replaced as follows:

"Article IV.II.2 - Certification procedure

1. The possession of the requirements referred to in the previous article is evidenced through:
 - a) submission of the general criminal certificate, the certificate of pending charges, civil certificate or certificate of non-bankruptcy, issued by the competent authorities of the place where the person resided for the greatest part of the last five years, in compliance with the criteria of "substantial equivalence" referred to in article 1, paragraph 2 of the COMPANIES LAW;
 - b) submission, as regards to all of the remaining jurisdictions, of the self-certification of the interested person given before a Public Notary of San Marino, using the model attached to this Regulation under letter A.
2. With a view to verifying the territorial jurisdiction of the public authorities that issued the certificates referred to in the first paragraph, said certificates shall be accompanied by a copy of a valid IDENTITY DOCUMENT.
3. The certificates referred to in the first paragraph, letter a), may also be represented by a single cumulative document."

38. Article IV.II.3, is replaced as follows:

"Article IV.II.3 - Board of Directors

1. The members of the Board of Directors of a bank must have gained, during the past ten years, an overall experience of not less than three years in one of the activities detailed below:
 - a) administration, management or control in FINANCIAL UNDERTAKINGS, provided that they do not meet the definition of COMPANIES IN DEFAULT;

- b) activities as self-employed professional or permanent university teacher for disciplines related to the credit, financial, fiduciary, security or insurance sector or, in any case, sectors which are functional to the activities of the bank.

2. For the purposes of letter a) above, insolvency procedures or extraordinary proceedings or any equivalent foreign procedures must be taken into account only if initiated during the period in which the person had been holding, for at least one year, an office in the administration, management or control of the company or in the two years following the termination of such office.

3. For the purposes of letter b), the activities as self-employed professional must be included amongst those for the exercise of which the legal system of San Marino requires the mandatory registration in professional registers held by the respective Orders."

39. Article IV.II.4, is replaced as follows:

Article IV.II.4 - Head of the executive structure

1. The HEAD OF THE EXECUTIVE STRUCTURE must possess specific expertise and experience gained in the last ten years with a period of no less than five years of professional activity within THE ORGANISATIONAL UNITS of banks or other FINANCIAL UNDERTAKINGS, provided they do not meet the definition of COMPANY IN DEFAULT, except as otherwise provided for in article IV.II.3 sub. 2."

40. Article IV.II.5, is replaced as follows:

"Article IV.II.5 - Board of Statutory Auditors

1. Without prejudice to the provisions of article 61, paragraph 4 of the COMPANIES LAW, the Board of Statutory Auditors must possess the following requirements:

- a) at least one of the statutory auditors must be registered in section A of the Professional Register of Accountants and Chartered Accountants of the Republic of San Marino;
- b) at least one of the statutory auditors must be registered in the Professional Register of Lawyers and Notaries of the Republic of San Marino;
- c) the remaining statutory auditors may be selected also from the persons belonging to one of the following categories:
 - 1) persons who possess the requirements referred to in article IV.II.3;
 - 2) persons registered in the register of independent auditors referred to in Law no. 146 of 27 October 2004;
 - 3) foreign persons however authorised in their country of residence to exercise the professions referred to in this article.

2. Except for the cases in which the controlling shareholder is a foreign person, the chairmanship of the Board of Statutory Auditors must be assigned to one of the statutory auditors referred to in letters a) and b) of the previous

paragraph; in any case, when electing the chairman of the governing body, an efficient and prompt performance of the rights and functions reserved to such role must be assured."

41. Letter a) of article IV.II.6 paragraph 1 is replaced by the following:

"a) curriculum vitae, dated, signed and inclusive of the offices of administration, management and control covered as at the date of compilation and at least in the five previous years, even if such offices do not count for the purposes of article IV.II.3, paragraph 1. letter a), given that they have been covered within NON-FINANCIAL UNDERTAKINGS or COMPANIES IN DEFAULT:"

42. Letter c) of article IV.II.7 paragraph 1 is replaced by the following:

"c) must have a credit line with or, in any case, be principal debtors, for cash and/or unsecured loans, of, the bank or of subsidiaries or parent companies, to an aggregate extent in excess of the lower of 5% of the Regulatory Capital of the bank and one million Euro;"

43. Article IV.II.8, is replaced as follows:

"Article IV.II.8 - Board of Statutory Auditors

1. The members of the Board of Statutory Auditors of a bank, without prejudice to the provisions of article 60 of the COMPANIES LAW, must not:

- a) hold the office of director in companies that are directly or indirectly owned by the bank or that are SHAREHOLDERS of the bank;
- b) directly or indirectly hold SIGNIFICANT SHAREHOLDINGS in the bank and in the companies referred to in letter a);
- c) be linked to the bank and to the companies referred to in letter a) by any ECONOMICALLY RELEVANT RELATIONSHIPS;
- b) be spouses, relatives or in-laws, within the fourth degree, of any individual referred to in one of the cases specified in letters a), b) and c) above;
- e) have a credit line with or, in any case, be principal debtors, for cash and/or unsecured loans, of, the bank or of subsidiaries or parent companies, to an aggregate extent in excess of the lower of 5% of the Regulatory Capital of the bank and one million Euro;
- f) be employees of the State, Public Entities and Autonomous Undertakings."

44. Article IV.II.9, is replaced as follows:

"Article IV.II.9 – Director General

1. The Director General of the bank must not have a credit line with or, in any case, be principal debtors, for cash and/or unsecured loans, of, the bank or of subsidiaries or parent companies, to an aggregate extent in excess of the lower of 5% of the Regulatory Capital of the bank and one million Euro.

2. When members of the staff are promoted to the office of Director General, they must satisfy the requirement referred to in the preceding paragraph within ninety days from the appointment."

45. Letter b) of article IV.III.1 paragraph 1 is replaced by the following:

"b) be dated no more than six months prior to the date of filing;"

46. Article IV.III.2, is replaced as follows:

"Article IV.III.2 – Presentation to the Board of Directors

1. The documentation required for the purpose of verifying the possession of the honourability, professionalism and independence requirements, as well as the maintenance of the honourability and independence requirements by CORPORATE OFFICIALS, must be presented to the Board of Directors of the bank by the parties involved within ten days from the date of acceptance of the appointment, even in case of renewal of the appointment.

2. The maintenance of the honourability and independence requirements by the Director General must be verified by the Board of Directors of the bank simultaneously with the same procedures provided for its members upon renewal of the appointment in the administrative body."

47. Article IV.III.3, is replaced as follows:

"Article IV.III.3 – Review by the Board of Directors

1. The Board of Directors, during the first valid meeting and without the presence of the interested party, shall review the documentation produced, specifically as regards to:

- a) the reliability of the information contained in the curriculum vitae;
- b) the validity of the documents pursuant to article IV.III.1."

48. Article IV.III.4, is replaced as follows:

"Article IV.III.4 – Resolution of the Board of Directors

1. Upon completion of the activities referred to in the previous article, the Board of Directors, without the presence of the interested party, must pass a resolution for each of the CORPORATE OFFICIALS appointed, fully acknowledging the checks carried out, the certifications reviewed and expressing its assessment on the evidentiary adequacy of the documentation.

2. For the persons for whom the documentation appears to be inadequate, the Board shall adjourn the decision to a subsequent meeting, reporting, in the resolution, any supplement required, in compliance with the terms for the declaration of removal pursuant to article 15, paragraph 2 of the LISF."

49. Article IV.IV.1, is replaced as follows:

"Article IV.IV.1 - Causes for removal

1. Except as provided for in the COMPANIES LAW as regards to the removal of directors and statutory auditors, the lack of one or more of the honourability or independence requirements referred to in this Part determines the removal of the CORPORATE OFFICIAL of the bank from the appointment or office pursuant to the provisions of article 15, paragraph 2 of the LISF."

50. Article IV.IV.3, is replaced as follows:

"Article IV.IV.3 - Extraordinary procedure

1. If no action is taken by the Board of Directors, without prejudice to the powers vested in the Board of Statutory Auditors by article 63 of the COMPANIES LAW, the CENTRAL BANK, upon becoming aware of the occurrence of a cause for the removal of a CORPORATE OFFICIAL from office, may declare such removal with a grounded measure, notified in writing to both the bank and the official involved, within ten days from the issuance thereof, directly and simultaneously convening, pursuant to article 46 of the LISF, a meeting of the corporate bodies."

51. Article IV.IV.4, is replaced as follows:

"Article IV.IV.4 - Possible causes for suspension

1. Except as provided for in the COMPANIES LAW as regards to the suspension of directors and statutory auditors and the suitability requirements, the following represent additional causes for suspension from the office of director, statutory auditor and Director General of the bank:

- a) the conviction by means of a judgement non yet final, to a detention penalty corresponding, for duration and type of offence, to the provisions referred to in article IV.II.1;
- b) the application of a personal precautionary measure."

52. Article IV.IV.5 paragraphs 1 and 3 are replaced as follows:

"1. In the cases referred to in the previous article, the Board of Directors shall, within thirty days from the moment it becomes aware of the occurrence of a possible cause for suspension of a CORPORATE OFFICIAL, pass a resolution on the issue, assessing the opportunity to suspend such CORPORATE OFFICIAL from the administrative, management and control functions and grounding the relevant resolution.

3. In the event that the Board of Directors decides for the suspension, which shall not have a duration of more than ninety days, prior to the expiry of the suspension period, the Meeting of the Shareholders must resolve on the removal from the office or immediate requalification of the CORPORATE OFFICIAL suspended from the exercise of the functions assigned, subject to the prior opinion of the Board of Statutory Auditors as evidenced in the minutes of the Meeting."

53. Article IV.IV.6, is replaced as follows:

"Article IV.IV.6 - Extraordinary procedure

1. If no action is taken by the Board of Directors, without prejudice to the powers vested in the Board of Statutory Auditors by article 63 of the COMPANIES LAW, the CENTRAL BANK, upon becoming aware of the occurrence of a

possible cause for the suspension of a CORPORATE OFFICIAL from office, may declare such suspension with a grounded measure, notified in writing to both the bank and the official involved, within ten days from the issuance thereof, directly and simultaneously convening, pursuant to article 46 of the LISF, a meeting of the corporate bodies."

54. Article IV.IV.7 has been added after article IV.IV.6, as follows:

"Article IV.IV.7 - Special procedure

1. In the event that no cause for suspension as referred to in article IV.IV.4 exists but there are, in any case, prejudicial elements, objectively documented within the context of an inspection pursuant to the joint provisions of article 42 and 104 of the LISF, against a CORPORATE OFFICIAL, which may give raise, in the opinion of the CENTRAL BANK, to a reasonable danger of causing serious detriment to the reputation and/or stability of the bank, the CENTRAL BANK, pursuant to article 46 paragraph 1 letter b) of the LISF, may order that a meeting of the Board of Directors be immediately convened, to discuss the suspension of the CORPORATE OFFICIAL. After thirty days from the order to convene the meeting, in case no suspension has been decided by the Board of Directors, the suspension is declared by the CENTRAL BANK, with its grounded measure, as a precautionary measure pursuant to article 44 of the LISF.

2. The special temporary suspension referred to in the previous paragraph may be ordered for a period of no more than 6 months."

55. Titles II, III and IV of Part V (Ownership Structure) are replaced as follows:

**"Title II
Requirements**

**Chapter I
Honourability**

Article V.II.1 - Requirements

1. Pursuant to article 18 of the LISF, the APPLICANTS and their CONTROLLING PERSONS must possess, for the purposes of the detention of SIGNIFICANT HOLDINGS in the share capital of the bank , the same honourability requirements provided for in the article IV.II.1.

2. In case of APPLICANTS that are not natural persons, the existence of the honourability requirements is verified not only for their CONTROLLING PERSONS pursuant to the first paragraph, but also for their directors or similar profiles, as well as for the BENEFICIAL OWNERS referred to in article III.II.5 above.

3. In the exceptional case of CONTROLLING PERSONS that are not natural persons, the existence of the honourability requirements is verified for the relevant directors or substantially similar profiles.

4. In the event that the APPLICANT intends to hold the SUBSTANTIAL PARTICIPATION through a fiduciary company acting as intermediary, the existence of the honourability requirements is, except as provided for in article V.II.5, verified also for those who are the directors of the fiduciary company, or substantially similar profiles.

Article V.II.2 - Certification procedure

1. The possession of the requirements referred to in the previous article is evidenced through:

- a) submission of the general criminal certificate, the certificate of pending charges, civil certificate or certificate of non-bankruptcy, issued by the competent authorities of the place where the person resided for the greatest part of the last five years, in compliance with the criteria of "substantial equivalence" referred to in article 1, paragraph 2 of the COMPANIES LAW;
- b) submission, as regards to all of the remaining jurisdictions, of the self-certification of the interested person given before a Public Notary of San Marino, using the model attached to this Regulation under letter A.

2. With a view to verifying the territorial jurisdiction of the public authorities having issued the certificates referred to in the first paragraph, said certificates shall be accompanied by a copy of a valid IDENTITY DOCUMENT.

3. The certificates referred to in the first paragraph, letter a), may also be represented by a single cumulative document.

Article V.II.3 – Foreign certificates

1. In the case of the certificates referred to in the previous article, paragraph 1, letter a), issued abroad, the CENTRAL BANK, only for the supervisory purposes provided for in this Regulation, has the power of not accepting as useful or sufficient the certifications produced if the translation attached pursuant to the following article does not evidence full compliance with the verification criteria referred to above.

Article V.II.4 – Validity requirements for the certificates

1. The certificates referred to in article V.II.2, paragraph 1, letter a), must satisfy the following requirements:

- a) be submitted in original or copy certified by a Notary public in San Marino;
- b) be dated no more than six months prior to the date of filing;
- c) be prepared in Italian or, if prepared in a foreign language, be accompanied by a sworn translation into Italian.

Article V.II.5 - Exempted persons

1. Of the APPLICANTS, the following are exempted from the duty to certify the possession of the honourability requirements:

- a) the authorised parties referred to in article 1 of the LISF;
- b) the Public Administration of San Marino;
- c) the persons referred to in article V.II.6 paragraph 3.

2. The exemption referred to in the previous paragraph is extended also to the CONTROLLING PERSONS and to any possible additional BENEFICIAL OWNERS of the persons listed therein.

Chapter II

Sound and prudent management

Article V.II.6 - Requirements

1. For the purpose of verifying the satisfaction by the APPLICANTS and their CONTROLLING PERSONS of the requirement concerning the attitude of ensuring the sound and prudent management of the authorised party, the CENTRAL BANK assesses the following conditions:

- a) relevance of the past business experience, especially if gained within the context of reserved activities;
- b) financial strength and ability to contribute additional resources, for both the development of the authorised party and the payment of possible losses;
- c) absence of any information that may indicate that the authorised party is dedicated to satisfy the funding needs of the controlling persons;
- d) absence of any link of whatever nature, including family and association links, that may jeopardise the level of independence of the SHAREHOLDERS;
- e) transparency of the source of the invested capital;
- f) protection from contagion risks linked to the activities performed by other entities within the group;
- g) sufficient autonomy, within the context of their group, to ensure the prompt and full adoption of the guidelines of the CENTRAL BANK;
- h) residence in the territory of San Marino or in foreign countries the supervisory authorities of which are positively considered by the international community;
- i) suitability, with reference to legal persons (based on registered office, legal form, corporate purpose, ownership structure), for the purpose of ensuring the ongoing possibility for the CENTRAL BANK to be aware of and verify the actual ownership structure of the bank and, consequently, the effective exercise of the supervisory functions regarding the existence and maintenance of the honourability requirements and of the suitability for the purpose of a sound and prudent management.

2. For the purposes of the attitude of ensuring sound and prudent management, in the cases where the control of the bank is taken over, the APPLICANTS and their CONTROLLING PERSONS must also be in possession of the reputational requirement, which is regarded as satisfied if in the last five-year period such persons:

- a) have not been subject to any disciplinary measures and/or sanctions adopted by any public authorities and/or supervisory and regulatory bodies in the financial sector, including foreign bodies;
- b) are not subject to any investigation related to the measures indicated here above and still pending;
- c) have not received any documented negative references by any public authorities, including foreign authorities;
- d) have not been subject to insolvency procedures, to extraordinary proceedings or to foreign procedures equivalent to those governed, respectively, by:
 - 1) Law no. 17 of 15 November 1917 and Article 115 of the COMPANIES LAW;
 - 2) Part II, Title II, Chapters I and II of the LISF;or have not been controlling shareholders or CORPORATE OFFICIALS thereof.

3. In the event that one or more of the APPLICANTS is a foreign FINANCIAL UNDERTAKING, the CENTRAL BANK assesses, in addition to those listed above, the following conditions:

- a) that an appropriate regulation exists in the country of origin in terms of supervisory controls, also on a consolidated basis;
- b) that agreements exist as regards to the exchange of information with the Supervisory Authorities of the country of origin, pursuant to article 103 of the LISF;
- c) that such Supervisory Authorities have provided the prior authorisation to the incorporation by the foreign FINANCIAL UNDERTAKING of a bank in the Republic of San Marino;
- d) that the Supervisory Authorities of the country of origin have provided a certification regarding the capital strength, adequacy of the organisational, administrative and accounting structures of the parent company or of the relevant group of companies (the so called letter of "good standing");
- e) that the foreign FINANCIAL UNDERTAKING is in possession of the authorisation to carry out banking activities, including through BRANCH OFFICES or in a regime of PROVISION OF SERVICES WITHOUT ESTABLISHMENT, in one or more of the countries considered as Peers in term of fight against financial crimes (laundering of illegal proceeds, usury, terrorism financing, etc.) prepared and updated with the resolution of the State Congress.

Article V.II.7 - Information sheet

1. For the purposes of the assessments referred to in the previous article, the APPLICANT, and the CONTROLLING PERSONS, if any, must produce, also on a joint basis, an information sheet evidencing with sufficient clarity:

- a) the economic-capital situation and that of the other subsidiaries, if any;
- b) the economic relationships, particularly as regards to the indebtedness, existing between the APPLICANT /PERSON CONTROLLING its additional subsidiaries, on one side, and the bank and its other SHAREHOLDERS, on the other side;
- c) the sources of financing to be used for the purchase of the shareholding or, in any case, the source of the capitals to be invested.

Article V.II.8 - Documentation attached

1. Besides the information sheet referred to in article V.II.7, the following documents must be transmitted to the CENTRAL BANK:

- a) for natural persons:
 - 1) curriculum vitae;
 - 2) certificate of civil capacity;
 - 3) tax returns for the last 3 years;
- b) for legal persons:
 - 1) the individual financial statements and, where applicable, the consolidated financial statements for the last three financial years, together with the accompanying reports;
 - 2) the certifications, if any, issued by the AUDITING COMPANY;
 - 3) the curricula vitae of the relevant directors or substantially similar profiles;
 - 4) "good standing" letters or other equivalent certifications issued by the Supervisory Authorities of the country of origin (for foreign FINANCIAL UNDERTAKINGS).

Title III

Authorisation to the acquisition of substantial participations

Article V.III.1 - Scope of application

1. The application for authorisation must be filed with the CENTRAL BANK by natural or legal persons intending:
 - a) to acquire, for whatever reason, holdings in the share capital of a bank that, taking into account also the holdings already possessed (if any), would determine the exceeding of the thresholds of 2%, 25%, 50%, 66% of the capital;
 - b) to acquire the control of the bank, regardless of the size of the shareholding;
 - c) to subscribe or exercise any option rights resulting from convertible bonds or other securities, for the purchase of shares with voting rights in the capital of the bank, if the shareholding to be acquired exceeds the relevant thresholds referred to in point a).
2. For the purpose of calculating the level of the shareholding achieved the following must be taken into account in the numerator:
 - a) own shares with voting right and those that are about to be purchased;
 - b) any shares held for other reasons and for which such person is entitled to vote.
3. The denominator must include the shares with voting right representing the capital of the bank.

Article V.III.2 - Persons required to apply

1. In the event of a separation between the ownership of the shares and the exercise of voting rights, the owner of the shares and the person entitled to exercise the voting right on such shares are both required to apply for authorisation.
2. The application for authorisation must be filed also by the management companies, with reference to the voting rights held on behalf of the funds managed, as well as by the fiduciary companies holding shares on behalf of third parties. In those cases in which the fiduciary company is an exempted person pursuant to article V.II.5, the requirements referred to in articles V.II.1 and V.II.6 shall be verified only with reference to the mandators and, if different from natural persons, to their CONTROLLING PERSONS and, if any, additional BENEFICIAL OWNERS. In those cases in which the fiduciary company is not an exempted person pursuant to article V.II.5, the requirements provided for in article V.II.1 shall be verified also as regards to those who are the directors or substantially similar profiles of such company.
3. The application for authorisation must be filed both in the cases where a mandator holds SUBSTANTIAL PARTICIPATIONS in excess of the thresholds referred to in the previous article, taking into account all of those held directly and indirectly, and in the cases where the sum of the shares in the name of the fiduciary company exceeds the thresholds referred to in the previous article, even though they might refer to more than one mandator who, individually considered, does not exceed such thresholds.
4. Without prejudice to the provisions of the previous paragraphs, for the transactions that entail a change in the investment chain a prior application for authorisation must be made only if such changes would determine the exceeding, up or down, of the relevant thresholds by the persons who are direct holders of the shares and/or by those who are their mandators and/or CONTROLLING PERSONS, that is to say by those who are placed at the beginning or at the end of the chain, respectively.

Article V.III.3 - Application for authorisation

1. The application for authorisation must be filed with the CENTRAL BANK according to the procedures specified in article III.II.6, and must contain the following information and documents:
 - a) an exhaustive explanation of the purposes of the transaction;
 - b) the PERSONAL DETAILS of the APPLICANTS and of the counterparties of the transaction;
 - c) the name of the bank subject matter of the transaction, specifying the number and the classes of the shares already owned (if any) and those of the shares that are about to be acquired;
 - d) the certificates referred to in article V.II.2;
 - e) the documents referred to in article V.II.7 and V.II.8.
2. In the event of transactions that lead to the control of the bank, a detailed business plan concerning the management of the bank or of the BANKING GROUP that is going to be created, must also be transmitted to the CENTRAL BANK.

Article V.III.4 - Declaration of the controlling persons

1. In the cases where the APPLICANT is not a natural person, the legal representative of the APPLICANT must transmit, also separately from the application referred to in article V.III.3, a written declaration, certified by a Notary in San Marino or signed directly before an agent of the CENTRAL BANK, in which the complete PERSONAL DETAILS of the CONTROLLING PERSONS, if any, are reported or, otherwise, the fact that no such persons exist.
2. The declaration referred to in the preceding paragraph must be accompanied by the documents referred to in article V.III.3, letters d) and e), with reference to the specified CONTROLLING PERSONS.
3. As a consequence of the finalisation of the initiative, notified to the CENTRAL BANK pursuant to article V.IV.1, the latter transmits to the bank a copy of the declaration mentioned in paragraph 1, also for the purposes of the application of the rules referred to in Part VII.

Article V.III.5 - Terms of the measure

1. The CENTRAL BANK may prohibit the transaction within a period of ninety days from the receipt of the application for authorisation, after which period the application is deemed to have been accepted, according to the "consent by silent" procedure provided for in article 17, paragraph 2 of the LISF, without prejudice to the right of the APPLICANTS to request the authorisation decree in explicit form.

Article V.III.6 - Valuation criteria

1. The CENTRAL BANK may prohibit the transaction upon the occurrence of one or more of the following causes:
 - a) the APPLICANT does not possess the honourability requirements referred to in article V.II.1, or such requirements are not possessed by its CONTROLLING PERSONS or by the directors of the company fiduciarily used by the applicant;
 - b) the APPLICANT and/or its CONTROLLING PERSONS are not suitable for the purpose of ensuring the sound and prudent management of the bank, pursuant to article V.II.6, or for allowing the exercise of the supervisory activities, also with reference to the compatibility of the fiduciary interposition, if any, with the condition envisaged in letter i) of the aforementioned article;
 - c) the transaction proposed is in contrast with the achievement of the purposes of the supervision activities and/or is inconsistent with the structure and the economic needs of the domestic market.

Title IV

Notification requirements

Article V.IV.1 - Ownership structure

1. The shareholders of the banks, for their own account and for the account of CONTROLLING PERSONS, if any, must notify the CENTRAL BANK, within ten days from the conclusion of the transaction, attaching a copy of the agreement, of:

- a) the finalisation of the initiatives subject to the authorisation under article V.III.1;
- b) the reduction below the thresholds imposed by article V.III.1 and the complete exit from the ownership structure.

2. With reference to the case referred to in letter a), the CENTRAL BANK must be promptly notified also of the failure to finalise the initiatives subject to authorisation based on article V.III.1.

3. With reference to the cases referred to in letter b), the denominator must include the shares with voting right representing the capital of the bank.

4. With reference to the case referred to in letter b) a notice prior to the date of finalisation of the transfer of the shareholding must also be transmitted to the CENTRAL BANK, with at least fifteen days prior notice.

5. The notice mentioned in the previous paragraph, aimed at verifying the fulfilment of the authorisation obligations referred to in article V.III.1, must contain the description of the shareholding that is being disposed of and the identification of the person who intends to acquire it.

Article V.IV.2 - Voting agreements

1. Voting agreements and shareholders' agreements that are in any way based on shares with voting rights, must be transmitted in copy to the CENTRAL BANK, pursuant to and within the deadline provided for in, article 19 of the LISF."

56. Article V.V.4 has been added after article V.V.3, as follows:

"Article V.V.4 - Verification of the maintenance of the requirements

1. For the purpose of verifying the maintenance of the requirements referred to in article V.V.1 above, the SHAREHOLDERS of banks must retransmit to the CENTRAL BANK, every three years, the certificates referred to in article V.II.2 and, if legal persons, the documents referred to in article V.II.8, paragraph 1, letter b).

2. Without prejudice to the provisions of the paragraph above, the SHAREHOLDERS are in any case required to promptly notify the CENTRAL BANK of any event that may jeopardise the maintenance of the requirements referred to in articles V.II.1 and V.II.6.

3. Also for the purpose of checking the fulfilments mentioned above, the banks, pursuant to article 23 of the LISF, must notify, also by email and on an annual basis, the CENTRAL BANK within sixty days from the approval of the financial statement, the list of the shareholders with voting rights as evidenced in the Shareholder Register as at the specified date. The communication regarding the shareholders' base must specify, with reference to each shareholder, the number of shares owned, their aggregate face value and the percentage of share capital they represent, using, for such purpose, the specific form available in the reserved area of the internet web site of the CENTRAL BANK."

57. Article VII.I.1, is replaced as follows:

"Article VII.I.1 – Sources of law

1. The provisions contained in the following articles of this Part have their source of law in articles 45, 47, 48, 49, 52 and 74 of the LISF"

58. Article VII.II.4 paragraph 4 is replaced as follows:

"4. From the sum of the "tier 1 capital" and the "tier II capital", in addition to the content of the first two paragraphs of this article, it is possible to infer the activities reflected in the direct or INDIRECT EXPOSURE towards the SHAREHOLDERS of the bank and/or towards any persons connected to such shareholders in legal and/or economic terms pursuant to article I.I.2, except for any FINANCIAL UNDERTAKINGS under the control of the bank including, in any case, the legal persons or the interposed persons who are shareholders of the bank, to the extent of their respective contributions, and using the same weighing factors adopted to calculate the solvency ratio."

59. Article VII.II.6, is replaced as follows:

"Article VII.II.6 - Minimum amount of the regulatory capital

1. The regulatory capital may never be less than the higher of:
 - a) the minimum initial capital required for the release of the authorisation to carry out banking activities;
 - b) the aggregate of the minimum capital requirements referred to in articles VII.III.9 and VII.III.10 below."

60. Article VII.III.4, is replaced as follows:

"Article VII.III.4 – Debtor counterparties

1. The weighing system assesses the risk of default of the debtors on a lump sum basis and is structured in the following multiplication factors:
 - a) 0% for the risk assets towards central governments, central banks, multilateral development banks, the European Union, the public administration and the broader public administration sector of the Republic of San Marino;
 - b) 20% for risk assets towards entities of the public sector of foreign countries (central and local), FINANCIAL COMPANIES and the other FINANCIAL UNDERTAKINGS;

- c) 50% for credits towards natural persons fully guaranteed by mortgages on "residential properties" leased out or used– or intended to be used – directly by the borrower;
- d) 50% for credits resulting from financial leasing agreements on "properties" for residential use or to be used as location for the industrial, hand-craft or commercial activities of the lessee;
- e) 50% for credits resulting from financial leasing agreements on assets other than those specified in letter d) above, for which the residual capital amount still due is lower than half of the original value of the agreement;
- f) 100% for the other risk assets and for the shareholdings not deducted from the regulatory capital;
- g) 200% for the shareholdings in NON FINANCIAL UNDERTAKINGS that reported negative balance sheet results in the last two years;
- h) 200% for NON PERFORMING LOANS

2. The reduced weighing provided for in letters a) and b) may be applied without prejudice to the provisions of the following article and only for FINANCIAL UNDERTAKINGS subject to prudential supervision rules equivalent to those contained in this Part of the Regulation; for the FINANCIAL COMPANIES WITH LIMITED OPERATIONS the multiplication factor referred to in the previous paragraph is equal to 40%."

61. Article VII.III.5, is replaced as follows:

"Article VII.III.5 - Country Risk

1. In order to take into account the country risk profile when assessing the risk assets towards central governments, central banks, entities of the public sector, banks and other FINANCIAL UNDERTAKINGS, a distinction should be made between the zone "A", which includes, besides the Republic of San Marino, all countries that are full members of the OECD and those that entered into loan arrangements with the International Monetary Fund, and the zone "B" that includes all other countries.

2. The risk assets towards central governments, central banks, entities of the public sector, banks and other FINANCIAL UNDERTAKINGS of countries included in the zone "A" have a weighing of 0% or 20% as specified in article VII.III.4.

3. The risk assets towards central governments, central banks, entities of the public sector, banks and other FINANCIAL UNDERTAKINGS of countries included in the zone "B" have a weighing of 100%. The following cases represent an exception:

- a) the risk assets towards central governments and central banks expressed in the currency of the borrowing country and funded in the same currency have null weighing;
- b) the risk assets with a residual duration of up to one year, towards banks of the zone "B" or supported by the explicit guarantee of such entities, are weighed at 20%."

62. Article VII.III.6, paragraph 4 is replaced as follows:

"4. The banks must apply, in full or on a pro-rata basis, to the risk assets guaranteed by the assets mentioned above, the weighing of 0% for the guarantees referred to in points a), b) and c), and of 20% for the other guarantees."

63. Article VII.III.9, is replaced as follows:

"Article VII.III.9 – Minimum capital requirements for the risks of default of the borrowers

1. The solvency ratio of the bank, referred to in article VII.III.2, must always be maintained at least 11%.
2. The respect of the limits does not affect the requirement for the competent corporate bodies to constantly monitor the capital adequacy with reference to the features of the activities carried out.
3. The CENTRAL BANK may require that, when particular corporate situations exist, capital requirements more restrictive than those generally determined be satisfied."

64. Article VII.III.10, is replaced as follows:

"Article VII.III.10 – Minimum capital requirements for operational risks

1. The function of the regulatory capital is also to ensure an adequate coverage of the OPERATIONAL RISKS; for this purpose, the minimum capital requirement necessary is equal to 15% of the average of the GROSS MEDIATION MARGIN (the so called "gross income") of the last 3 FINANCIAL YEARS.
2. In the first three-year period of activities (the so called "start up" phase), the compliance with the capital requirement referred to in the first paragraph shall be verified based on the budgets."

65. In article VII.IV.1 paragraph 1 and article VII.V.2 paragraph 2, the word "indirect" is highlighted with SMALL CAPS characters.

66. In article VII.IV.4 paragraph 3, letter "D" is added after letters "A" and "B" with reference to the reserved activities included in the application perimeter of the rule.

67. Article VII.VII.2, paragraph 2 is replaced as follows:

"2. The deadline referred to in paragraph 1 also applies in case of termination of financial leasing agreements entered as lessor on real estate properties, starting from the date of termination itself and without prejudice to the provisions of article 148 of the LISF."

68. Article VII.VII.3, paragraph 2 is replaced as follows:

"2. The real estate properties subject matter of FINANCIAL LEASING AGREEMENTS ENTERED INTO AS LESSEE are taken into account in the calculation of the limit only at the moment of the payment of the buyout value and for the global capital value of the rents paid in aggregate."

69. The following paragraph is added to article VII.VIII.1:

"4. The bank that intends to acquire for its own account the control over FINANCIAL UNDERTAKINGS, must notify the CENTRAL BANK well in advance of the definition of the relevant contractual agreements, notwithstanding the authorisation procedure referred to in article V.III.1 and the specific procedures envisaged in the supervisory provisions for FINANCIAL UNDERTAKINGS other than banks"

70. Letter i) is added to article VII.IX.4 paragraph 1 as follows:

"i) exercises its duties collectively by holding meetings with an adequate frequency and, in any case, in a number of no less than 10 meetings per calendar year."

71. Article VII.IX.11 paragraphs 2, 4 and 7 are replaced as follows:

"2. The credit lines must be granted based on a documented preliminary proceeding, even if based on automated procedures, and entered in specific registers, maintained according to technical procedures that would ensure the integrity thereof and containing, for each credit line granted, the following information:

- a) name of the beneficiary;
- b) amount;
- c) technical form of the relevant use;
- d) guarantees;
- e) maturity;
- f) proposing body;
- g) decision-making body;
- h) aggregate amount of the direct and indirect credit facilities already existing for the same name, and relevant use;
- i) purpose of the loan.

4. The documentation must allow the assessment of the consistency between amount, technical form, funded activity and purpose of the loan; furthermore, it must allow the identification of the features and of the quality of the borrower, also in light of the set of relationships held with the same. As a consequence, in order to be able to adequately verify and assess whether the borrower belongs to a GROUP OF CONNECTED CLIENTS, as provided for also in paragraph 8 below, in case of borrowers other than natural persons, even if FINANCIAL UNDERTAKINGS, it is necessary that they release a written statement addressed to the bank containing the PERSONAL DETAILS of their CONTROLLING PERSONS, or, absent such controlling persons, the certification of their non-existence, through the mandatory use of the specific form attached to this Regulation under letter D.

7. The criteria for the valuation, management and classification of the DOUBTFUL LOANS, as well as the relevant structures in charge, must be set by means of a resolution of the Board of Directors, in which the procedures are specified for the reconciliation between such criteria and those provided for the supervisory reports. The Board of Directors must be regularly informed, at least on a quarterly basis, of the performance of the DOUBTFUL LOANS

and the relevant recovery procedures and, at least on a semi-annual basis, it must assess the expected realisation value of all loans."

72. In article VII.XI.1, paragraph 1 is replaced and paragraph 4 is added as follows:

"1. Pursuant to article 47 of the LISF, the bank that intends to make any amendment to its articles of association must transmit, at least thirty days prior to the resolution of the meeting, a specific application for authorisation to the CENTRAL BANK, containing the information useful for describing the project and, specifically:

- a) the exact indication of the article or articles that should be amended;
- b) the complete text of the article or articles of the articles of associations in the version before the amendment, even if such amendment affects only some paragraphs or parts thereof;
- c) the reasons underlying the proposed amendment to the articles of association;
- d) the date for which the Meeting of the Shareholders is convened, with such amendment to the articles of association included in the agenda or, absent any notice of call, the date in which it is expected that it will be held with the presence of the entire shareholding, and all directors and auditors to resolve on the issue.

4. For the purpose of simplifying and speeding up the authorisation procedures referred to in articles VII.XI.2 and VII.XI.3 below, the bank may replace or adjust on its own initiative, pending the period of time specified in the following article, the petition already filed pursuant to, and within the period provided for in, the first paragraph, with another petition on paper, fully in compliance with the prior directions received by email from the Supervision Department and concerning the amendments in electronic format to the original text of the articles of association, for such purpose transmitted to the bank by email."

73. Article VII.XI.2, is replaced as follows:

"Article VII.XI.2 - Time limit of the measure

1. Other than in case of interruption of the time limit, the CENTRAL BANK, within thirty days from the receipt of the application, or from the subsequent replacements or amendments thereof, notifies in writing to the applicant bank the release or the denial of the authorisation to the amendment of the articles of association.

2. The CENTRAL BANK may deny the authorisation only in the cases where the amendment is in contrast with sound and prudent management practices, and with the provisions referred to in Part III, Title III of this Regulation or where it would hinder in any way the exercise of the supervisory activities."

74. Article VII.XII.6, paragraph 2 is replaced as follows:

"2. In any other case, that is to say when the transfer is in favour of banks but is below the threshold referred to in the previous paragraph, and in all cases where it is the banks that transfer BUSINESSES, BUSINESS UNITS or ACCOUNTS IN BLOCK to third parties, without prejudice to the provisions of article III.VII.2 and the possible consequences referred to in article III.VII.3, the CENTRAL BANK must in any case be notified from the bank with a

prior notice of at least sixty days from the expected date of completion of the transaction, for the purpose of verifying the compliance with the provisions of article VII.XII.9."

75. Article VII.XII.7, paragraph 1 is replaced as follows:

"1. The application for authorisation must exactly describe the subject matter of the purchase and outline the objectives that the bank intends to pursue. Specifically, information must be provided concerning the effects of the transaction on the compliance with the prudential rules governing concentration of risks and capital adequacy; as regards to this latter aspect, any items to be deducted from the regulatory capital of the transferee bank must also be taken into account."

76. Article VII.XII.8, paragraph 1 is replaced as follows:

"1. The CENTRAL BANK releases the authorisation to purchase within ninety days from the receipt of the application, subject to having verified that the transaction does not entail, on a prospective basis, any failure in complying with the prudential supervision rules specifically as regards those concerning capital and organisational adequacy and risk concentration."

77. Article VIII.II.1, is replaced as follows:

"Article VIII.II.1 - Periodic information requirements

1. The banks are required to transmit to the CENTRAL BANK the PERIODIC SUPERVISORY REPORTS also for the purpose of verifying the compliance with the prudential supervision rules referred to in Part VII of this Regulation, and, more in general, the principles of sound and prudent management.

2. The amounts specified, in compliance with the provisions contained in the measures referred to in article VIII.II.3, and with the reporting schemes and operating manuals referred to in VIII.II.4, in the PERIODIC SUPERVISORY REPORTS, are taken into account by the CENTRAL BANK also for the purpose of determining and controlling all aggregates referred to in Parts VII and XI of this Regulation.

78. Article VIII.II.2, is replaced as follows:

"Article VIII.II.2 - Non-periodic information requirements

1. In addition to the documents to be transmitted on a periodical basis, pursuant to the provisions of the preceding article, and to those to be transmitted when needed to complete the communications or the applications for authorisation as provided for in this Regulation, the banks are required to transmit to the CENTRAL BANK:

a) a certified and complete copy of the minutes of each meeting of shareholders, even if they do not contain any resolutions subject to notification or authorisation requirements, together with an up to date certificate of good standing, when the resolutions of the meeting have determined an updating of the data contained therein;

b) business plan related to new business segments, if any, to be launched, including the relevant resolution of the Board of Directors and any useful information concerning the investments to be made, the profitability expected in

the first three-year period, human and logistics resources to be allocated, impact on their own organisational structure specifically as regards to the implementation of the INTERNAL AUDITING SYSTEM.

2. The time limit for the transmission of the documents specified in the previous paragraph is, respectively, of ten days:

- a) from the date of completion of the legal procedure for the execution of the deed, that is to say from the last, in chronological order, of the dates of celebration, registration, filing and entering in the Register of Companies;
- b) from the date when the relevant resolution has been passed by the Board of Directors."

79. Article VIII.II.3, is replaced as follows:

Article VIII.II.3 - Reference

1. The content, format, compilation criteria, form, transmission procedures and deadlines for the filing of all documents to be transmitted to the CENTRAL BANK are subject to specific provisions to which reference should be made."

80. Article VIII.II.4, is replaced as follows:

"Article VIII.II.4 – Reporting schemes and operating manuals

1. For the purposes of a correct execution of the PERIODIC SUPERVISORY REPORTS, the reporting schemes and relevant operating manuals containing the instructions for the compilation and transmission of the statistical data are made available in the reserved area of the Internet website of the CENTRAL BANK; the operating manuals may also contain directions for the interpretation and/or detailed specifications to be used also for other supervisory purposes with reference to the same issues dealt with.

2. Any update to the reporting schemes and operating manuals is introduced with a resolution of the Supervision Committee of the CENTRAL BANK and made available to the interested parties well in advance of their effective date, with reference to their relevance and to the operational impact of the changes made.

3. If with reference to a PERIODIC SUPERVISION REPORT, or to a part thereof, there are no information to be reported to the CENTRAL BANK, the bank must still fulfil its information requirement by confirming that no such information exist."

81. Article VIII.II.5 paragraph 2 is replaced as follows:

"2. The query must satisfy the following requirements:

- a) sender: a bank of San Marino or a BRANCH OFFICE in San Marino of a foreign bank;
- b) recipient: Supervision Department, and, specifically:
 - Regulatory Supervision Service: for all queries concerning to supervisory provisions;
 - Supervisory Reporting and Methodologies Service: for all queries concerning the reporting schemes and operating manuals;

- c) form: letter or email message signed by the HEAD OF THE EXECUTIVE STRUCTURE or by a person acting as his/her deputy because of the specific role (Deputy Director General) or based on an explicit delegation received and previously notified to the CENTRAL BANK, in compliance with the limit of maximum 3 employees who may be delegated for each bank."

82. Letter a) of article VIII.III.1 paragraph 2 is replaced by the following:

"a) a letter of appointment addressed to the bank being inspected, signed by a member of the Supervision Committee of the CENTRAL BANK, containing the details of the appointed persons;"

83. Article VIII.III.2 paragraphs 2 and 3 are replaced as follows:

"2. The completion of the assessment activities is notified to the bank by the CENTRAL BANK with a letter signed by a member of the Supervision Committee. The inspection report is notified within sixty days following the date of completion of the assessment, to the CORPORATE OFFICIALS of the bank or to the Commissioner appointed by the CENTRAL BANK, when the assessments led to the adoption of a measure pursuant to Part II, Title II, Chapters I or II of the LISF.

3. Not later than thirty days from the notification of the inspection report, the company involved must inform the CENTRAL BANK of its considerations regarding the outcome of the inspection, and any intervention already implemented and those planned for the purpose of eliminating any anomalies and breaches ascertained."

84. Article IX.III.1, par. 1 is replaced as follows:

"1. Without prejudice to the provisions anticipated in this Part as regards to the organisational adequacy, as well as in articles VII.IV.1 and VII.V.2 on the calculation of INDIRECT EXPOSURES, the application, on a consolidated basis, to the BANKING GROUPS of the provisions referred to in Parts VI, VII and VIII is subject to specific measures to which reference should be made."

85. Article IX.IV.1, paragraph 4 is repealed.

86. Paragraph 2 and paragraph 7, letter b) of article X.I.3 are replaced as follows:

"2. They must provide the customers, as a minimum, with the information set forth in these provisions, according to procedures adequate to the form of communication used, in a clear and exhaustive manner, taking also into account the features of the accounts and of the recipients. For this purpose, it would be helpful to use a Glossary with the definitions of the technical terms used in the forms.

b) "agricultural loans" pursuant to Law No. 22 of 11 March 1981;"

87. Article X.III.2, paragraph 1 is replaced as follows:

"1. In the cases referred to in article X.III.1, paragraph 1, the bank is required, vis-a-vis the CLIENT, to keep all conditions included in the contract proposal unaltered until the expiry of the second business day following the

date of delivery of the documentation, and to use, for the purposes of the execution of the contract, the documentation itself."

88. Article X.III.6, paragraph 1 point 5) is replaced as follows:

"5) price and any other charge, commission or expense, however described, charged to the clients for any reasons whatsoever also with reference to those to be incurred upon termination of the relationship or upon transfer of liquidity or securities, collection of bills, transmission of notices and issuance of duplicates;"

89. Letter i) is added to article X.IV.4 paragraph 1 as follows:

"i) the procedures, restrictions and costs for early redemption;"

90. Article X.IV.6, par. 2 is replaced as follows:

"2. In the event that some of the elements of economic relevance included in the contract depend on the quotation of securities or on the performance of any currencies as at a future date or, in any case, if they may not be identified at the moment of the drafting of the written contract, the latter must contain the relevant parameters and timings and procedures for the measurement of such parameters (internet websites, specialised newspapers, etc.)."

91. Article X.IV.15, is replaced as follows:

"Article X.IV.15 – Periodic reporting requirements

1. In LONG TERM AGREEMENTS, except for the renting of safety deposit boxes and sealed packet deposits and in cases where a savings account book is issued to the CLIENT, the banks must provide the CLIENTS, at the termination of the contract and, in any case, at least once a year, a written analytical notice that gives a complete and clear information on the performance of the relationship and, with each variation (except for those resulting from the application of indexing rules provided for in the contract), an updated description of the conditions applied, using the same document referred to in article X.III.5.

2. The periodic communication is made through the forwarding or delivery of a statement, in hard copy and/or electronic format, as provided for in the contract.

3. As regards to relationships conducted on a current account, the statement must be transmitted to the CLIENT on an annual basis or, at the choice of the CLIENT, semi-annually, quarterly or monthly, without prejudice to the provisions of paragraph 1 in case of any changes to the conditions applied."

92. Article X.IV.17, is replaced as follows:

"Article X.IV.17 – Contents of the statement of account

1. The statement for the relationships conducted on a current account (the so called statement of account) must specify all movements, the sums debited or credited and the respective reasons and descriptions, the debit or credit accounting balance.

2. At least the statements of account sent at the time of the settlement of the interest accrued must also specify, in the statement of account itself or in a specific scalar summary attached thereto, the procedures for calculating the interest, including interest rates applied in the period, and the cash balance available on the current account at the end of the period.

3. Any periods related to the consent by silent procedure specified in the statements of account may not be enforced against the CLIENT for transactions other than those that may be directly referred to the reporting, such as, but not limited to: the settlement of any fixed charges or costs per transaction, the calculation of interest, the application of overdraft charges, if any."

93. Article X.IV.20, paragraph 2 is replaced as follows:

"2. The CENTRAL BANK must publish the notice by copying it in full on a specific page of its internet website, without prejudice to the obligation for the bank to display the notice in its main office and in any BRANCH OFFICES in a place where it can be easily seen by the public; the publication of the notice by the CENTRAL BANK, being a legal obligation, does not affect the possibility for the CENTRAL BANK to verify, even in future, the compliance of the text of the notice published and/or of the unilateral changes applied by the bank with the transparency and fairness rules referred to in this Part."

94. Article X.IV.21, paragraph 4 is replaced as follows:

"4. The unilateral changes in pejus of the interest rates are not allowed for LONG TERM CONTRACTS with a pre-determined maturity, without prejudice to the provisions already clarified in article X.IV.14, paragraph 3."

95. In article X.V.3, paragraph 1 is replaced and paragraph 4 is added as follows:

"1. The banks with an internet website may use such instrument to provide data and news concerning their enterprise (main statutory data, latest financial statements etc.), their organisation (organisational chart, CORPORATE OFFICIALS, managers of internal audit functions, complaint/out of court settlement procedures and respective contact persons, etc.) and the products and services offered, in compliance with the provisions of Title II above as regards to advertisements (corporate contents), and may also make available to the visitors of the website sections dedicated to general information on financial markets, auto-produced as well as produced through *links* to the websites of qualified *information providers*, or taken from the latter, provided the source thereof is specified (financial contents).

4. The banks that decide to use their own website have a duty to promptly update the corporate, financial or institutional contents published; any failure or delay may, without prejudice to the application of the provisions referred to in this Part as regards to the fairness and transparency in the relationship with the clients, be subject to the intervention of the CENTRAL BANK."

96. Article XI.I.1, is replaced as follows:

"Article XI.I.1 – Sources of law

1. The provisions contained in the articles of this Part have their source of law in articles 156 and 157 of the LISF."

97. Article XI.V.8, is replaced as follows:

"Article XI.V.8 - Limits to the acquisition of real estate properties

1. The PRE-EXISTING BANKS must dispose of the real estate properties previously acquired as a derogation to the provisions of articles VII.VII.1 and VII.VII.4, by the end of the fiscal year 2012."

98. As a consequence of the changes referred to in paragraph n. 64 above:

a) the words "except for that referred to in article VII.III.10" are removed from the first paragraph of article II.III.6 and from the third paragraph of article II.III.7;

b) the second paragraph of article XI.V.3 is repealed.

99. Circulars no. 1, 3, 26 and 33 and the Uniform Letters no. 1, 30, 40, 41, 45, 59, 73, 92, 93, 104, 109, 110, 111 are added to letters a) and b), respectively, of article XI.IX.1, paragraph 1.

100. Annexes A), B), C1), C2), C3) and D) are replaced by those attached to this Regulation.

Article 2 – Entry into force.

1. This Regulation will enter into force on 1st July 2011.

Article 3 – Final and transitional rules.

1. The new provisions concerning the requirements for the CORPORATE OFFICIALS and the relevant procedures for the verification by the Board of Directors shall be applied as from the first appointments following the entry into force of this Regulation. The directors general shall satisfy the new independence requirements by 30 September 2011.

2. For the purposes of the verification by the Supervisory Authority of the maintenance of the honourability requirements and of the attitude of ensuring sound and prudent management practices, the existing SHAREHOLDERS of the PRE-EXISTING BANKS shall comply with the provisions of article V.V.4 not later than on 31 December 2011, and thereafter according to the frequency provided for therein.

3. The new verification criteria for the prudential supervision requirements concerning the capital requirements for the risks of default of the borrowers and for operational risks, shall be applied according to the following multi-year plan:

- multiplication factor of the non performing loans: 150% from 01/01/2012 – 200% from 01/01/2013;
- coverage ratio of operational risks: 5% from 01/07/2011 – 10% from 01/01/2012 – 15% from 01/01/2013.

4. The new Annex D shall replace the previous annex starting with the applications for credit lines that will be filed on a date following the entry into force of this Regulation.
5. The supplements to articles X.I.3, X.IV.4 and X.IV.6 are applicable starting with the contracts for credit lines that will be entered into on a date following the entry into force of this Regulation.

Article 4 – Consolidated text of Regulation no. 2007-07.

1. The text of Regulation no. 2007-07, consolidated to include the amendments introduced by Regulation no. 2008-04 and by this Regulation, shall be made available on the web site of the Central Bank of the Republic of San Marino (www.bcsm.sm).

**SELF CERTIFICATION OF COMPLIANCE WITH THE HONOURABILITY
REQUIREMENTS**

I, the undersigned _____ born on
_____ in _____
and resident in _____ at the following
address _____ I.S.S./Tax
code _____, citizen of _____,
fully aware of the civil and criminal responsibility I undertake for the veracity of the statements hereunder

HEREBY DECLARE

pursuant to Law no. 165 of 17 November 2005 and the implementing measures issued by the Central Bank of the Republic of San Marino, that:

1) in the last five-year period I resided, most of the time, at the following address:

_____;¹

2) the enclosed certificates, issued by the competent local public authority based on the residence specified in point 1 above, do not evidence any element that might negatively affect the possession of the requirements of honourability as envisaged in the supervisory provisions currently in force;

3) currently, I am not aware of any prejudicial processes/procedures/actions against me, already concluded or still pending with any jurisdiction other than that referred to under point 2 above, likely to jeopardise the possession of honourability requirements provided for by current supervisory provisions and, having never committed any facts that are their prerequisite, I have no reason to believe that they may occur.

I HEREBY AUTHORISE

the Central Bank of the Republic of San Marino to carry out any relevant and necessary verification with the competent Offices to prove the veracity of my statements in this document.

In witness thereof.

Republic of San Marino, _____

NOTARISATION OF THE SIGNATURE

¹ Insert: City name (Country name), street/square name and number.

**SELF CERTIFICATION OF COMPLIANCE WITH THE PROFESSIONALISM
REQUIREMENTS**

I, the undersigned _____ born on
_____ in _____
and resident _____ in
_____,
_____ citizen, fully aware of the civil and criminal responsibility I undertake for the
veracity of the statements hereunder, for the purpose of the accepting the appointment as _____
of the company _____

HEREBY DECLARE

pursuant to Law no. 165 of 17 November 2005 and the implementing measures issued by the Central Bank of the
Republic of San Marino, to possess the professionalism requirements(s) specified here below:

_____ ²

I HEREBY AUTHORISE

the Central Bank of the Republic of San Marino to carry out any relevant and necessary verification with the
companies and entities mentioned in the attached curriculum vitae to prove the veracity of my statements in this
document.

In witness thereof.

Republic of San Marino, _____

NOTARISATION OF THE SIGNATURE

² Select one or more of the following:

- in the ten years prior to this declaration, I have gained an experience of no less than three years within the context of administration, management or control activities with financial undertakings that do not meet the definition of "company in default";
- in the ten years prior to this declaration, I have gained an experience of no less than three years in activities as self-employed professional or permanent university teacher for disciplines related to the credit, financial, fiduciary, security or insurance sector or, in any case, sectors which are functional to the activities of the aforementioned bank;
- in the ten years prior to this declaration I gained specific expertise and experience, achieved during a period of no less than five years of professional activity within the organisational units of banks or financial undertakings that do not meet the definition of company in default.

SELF CERTIFICATION OF COMPLIANCE WITH THE INDEPENDENCE

REQUIREMENTS

for administrative functions

I, the undersigned _____ born on
_____ in _____
and resident _____ in

_____ citizen, fully aware of the civil and criminal responsibility I undertake for the veracity of the statements hereunder, for the purpose of the accepting the appointment as member of the Board of Directors of the company _____

HEREBY DECLARE

pursuant to Law no. 165 of 17 November 2005 and the implementing measures issued by the Central Bank of the Republic of San Marino, that:

- 1) I do not hold any offices as statutory auditor or auditor for the account of such company or of any company directly or indirectly owned by, or that is a shareholder of, such company;
- 2) I am not a spouse, relative or in-law, within the fourth degree, of any individual referred to in one of the cases specified in point 1 above;
- 3) I am not a debtor of the company, nor of any subsidiaries or parent companies, to an extent in excess of the limit set forth by the supervisory provisions currently in force;
- 4) I am not an employee of the State, Public Entities and Autonomous Undertakings.

I HEREBY AUTHORISE

the Central Bank of the Republic of San Marino to carry out any relevant and necessary verification with the competent Offices to prove the veracity of my statements in this document.

In witness thereof.

Republic of San Marino, _____

NOTARISATION OF THE SIGNATURE

SELF CERTIFICATION OF COMPLIANCE WITH THE INDEPENDENCE

REQUIREMENTS

for control functions

I, the undersigned _____ born on
_____ in _____
and resident _____ in
_____,
_____ citizen, fully aware of the civil and criminal responsibility I undertake for the
veracity of the statements hereunder, for the purpose of the accepting the appointment as statutory auditor/auditor
of the company _____

HEREBY DECLARE

pursuant to Law no. 165 of 17 November 2005 and the implementing measures issued by the Central Bank of the
Republic of San Marino, that:

- 1) I do not hold the office of director for the account of such company or of any company directly or indirectly
owned by, or that is a shareholder of, such company;
- 2) I do not hold, directly or indirectly, any significant shareholdings in the companies referred to in point 1;
- 3) I am in no way linked to the companies referred to in point 1 through any economically relevant relationships,
based on the definitions of the supervisory provisions currently in force;
- 4) I am not a spouse, relative or in-law, within the fourth degree, of any individual referred to in one of the cases
specified in points 1, 2 and 3 above;
- 5) I am not a debtor of the company, nor of any subsidiaries or parent companies, to an extent in excess of the
limit set forth by the supervisory provisions currently in force;
- 6) I am not an employee of the State, Public Entities and Autonomous Undertakings.

I HEREBY AUTHORISE

the Central Bank of the Republic of San Marino to carry out any relevant and necessary verification with the
competent Offices to prove the veracity of my statements in this document.

In witness thereof.

Republic of San Marino, _____

NOTARISATION OF THE SIGNATURE

**SELF CERTIFICATION OF COMPLIANCE WITH THE INDEPENDENCE
REQUIREMENTS**

for managing functions

I, the undersigned _____ born on
_____ in _____
and resident _____ in
_____,
_____ citizen, fully aware of the civil and criminal responsibility I undertake for the
veracity of the statements hereunder, for the purpose of the accepting the appointment as Director General of the
company _____

HEREBY DECLARE

that, pursuant to Law no. 165 of 17 November 2005 and the implementing measures issued by the Central Bank of
the Republic of San Marino, I am not a debtor of the company, nor of any subsidiaries or parent companies, to an
extent in excess of the limit set forth by the supervisory provisions currently in force;

I HEREBY AUTHORISE

the Central Bank of the Republic of San Marino to carry out any relevant and necessary verification with the
competent Offices to prove the veracity of my statements in this document.

In witness thereof.

Republic of San Marino, _____

NOTARISATION OF THE SIGNATURE

FORM FOR THE IDENTIFICATION OF THE CONTROLLING PERSON

Hereby the undersigned _____

(surname and name)

in his/her capacity as

(title)

of _____

(name of the borrower)

declare, for the purposes of the investigation concerning the credit line, that:

the natural persons currently recognised as "controlling persons" of the borrower are:

Surname	Name	Place of birth	Date of birth	Residence address

copy of the identification document of whom, signed by me, is attached hereto.

there are no natural persons who may currently be identified as "controlling persons" of the borrower, and thus the final control is ascribed to the following persons:

Name	Headquarters	Identification Code	Type

a copy of the certificate of good standing (or equivalent for foreign companies) of which, signed by me, is attached hereto.

currently no person is recognised as "controlling person" of the borrower.

It is understood that the content of this declaration is covered by bank secrecy, pursuant to art. 36 of the Law of 17 November 2005; the use thereof is therefore authorised only to the extent provided for in the laws and supervisory regulations currently in force.

I also undertake to keep you promptly informed on any changes that may affect the data mentioned above, by issuing a new substitute declaration using this form.

San Marino, _____

In witness thereof.

Stamp of the assignee